

Fixed-Income Report

Dec 14th – Dec 18th/2020

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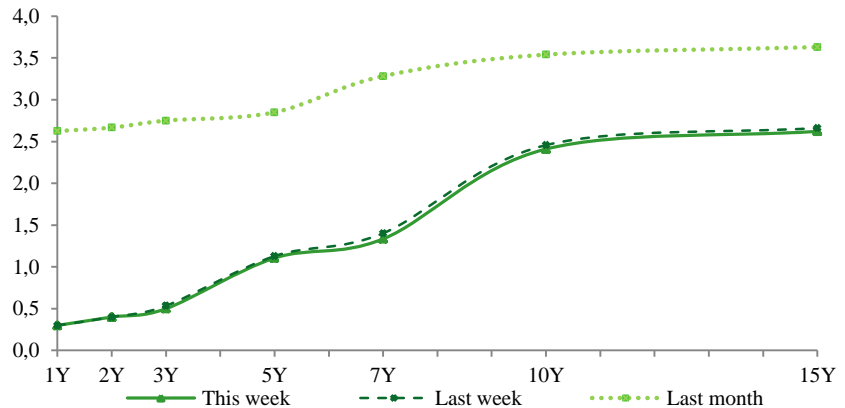
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Round-up

**High demand in primary remained.
Yield curve shifted downwards.
Interbank rates stayed at low levels.**

Yield Curve



Source: Bloomberg, VCBS

■ VND 12,000 bn was mobilized from ST. VND 77,477 bn (-4.48% wow) was traded on the secondary market.

■ Yield curve shifted downwards. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted 0,3% (0 bps), 0,4% (0 bps), 0,5% (-3,5 bps), 1,106% (-2,3 bps), 1,335% (-6,8 bps), 2,41% (-4,7 bps), 2,622% (-4 bps), respectively.

■ Interbank rates stayed at low levels. In details, ON – 3M rates posted at 0.15%, 0.197%, 0.254%, 0.35% and 1.173%, respectively according to Bloomberg data.

■ Foreign investors net sold VND 127.49 bn this week.

■ Last week saw no new transaction via OMO channel.

VCBS Commentary Dec 21st – 25th

■ In the context of abundant liquidity and increasing price of assets, especially risk-free asset, we remain the view that downward force will dominate on the bond market in the long run.. Thus, yield curve may shift downward frictionally in the upcoming week.

■ Abundant liquidity is still in the market. At the present, we do not observe any events triggering upward pressure on interbank rates. Thus, interbank rates should stay at current levels.

Bond Market

VND 12,000 bn was mobilized from ST.

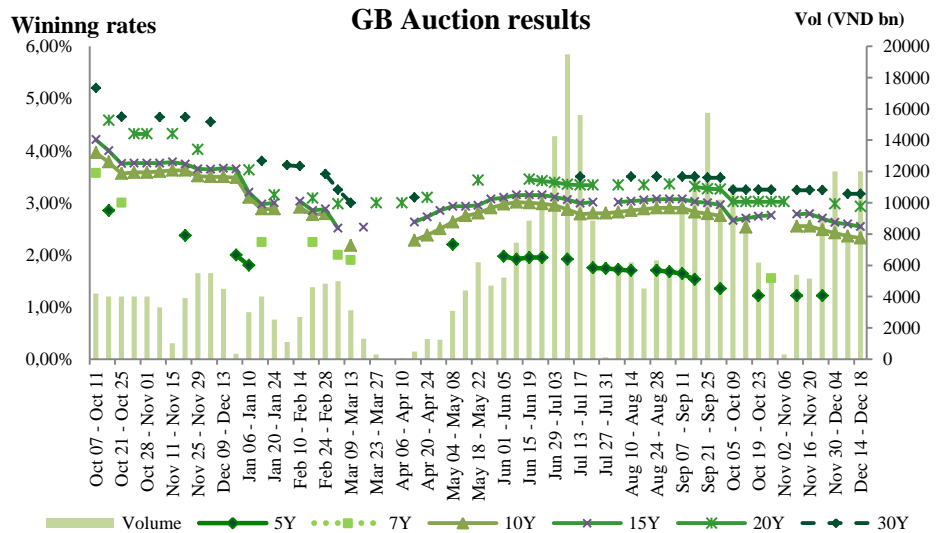
Primary Market

High demand in primary remained. 100% amount issued successfully.

VND 12,000 bn was mobilized from ST. Therein, ST issued VND 3,000 bn at 10Y tenors, VND 6,000 bn at 15Y tenors, and VND 1,000 bn at 20Y, 30Y tenors each. The registered volume-to-offering volume ratios for 10Y, 15Y, 20Y & 30Y tenors were 5.17; 2.54; 2.83 and 1.72 times. Winning volume-to-offering ratios for all tenors recorded at 100%, which indicated high demand in the primary market.

Winning rates for 10Y, 15Y, 20Y and 30Y tenors stood at 2.32% (-4 bps), 2.54% (-5 bps), and 3.15 (-2 bps) respectively compared to the previous week.

VBSP and VDB did not mobilize bond this week.



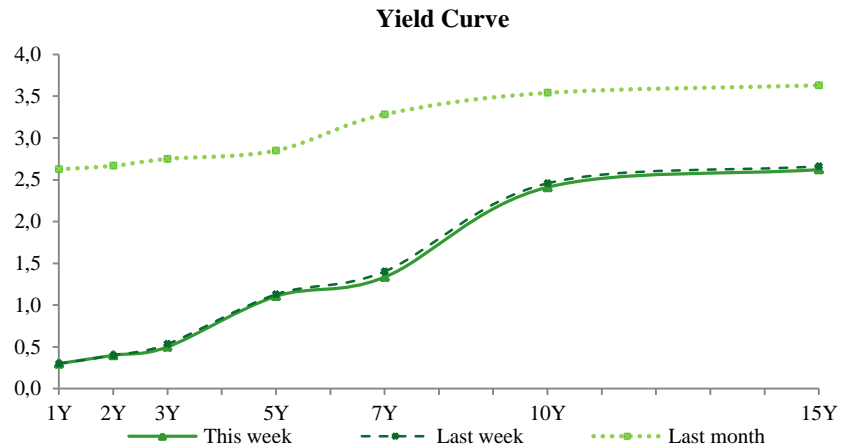
Source: HNX, VCBS

Secondary Market

VND 77,477 bn (-4.48% wow) was traded on the secondary market.

VND 77,477 bn (-4.48% wow) was traded on the secondary. Market seemed to cool down after an exciting trading week. In detail, Outright and repo values were at VND 50,140 (+0.3% wow) and VND 27,336 bn (-12.2% wow), respectively. Regarding outright, ST-Bond kept totally dominating trading volume with 91%. The most liquid tenor is 7Y-15Y with roughly 64% of trading value

Yield curve shifted downwards. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted 0,3% (0 bps), 0,4% (0 bps), 0,5% (-3,5 bps), 1,106% (-2,3 bps), 1,335% (-6,8 bps), 2,41% (-4,7 bps), 2,622% (-4 bps), respectively.



Source: Bloomberg, VCBS

In the latest developments, according to the December 2020 Report, the Omnibus International Trade and Competition Act 1988, Vietnam, along with Switzerland, violated 3 criteria and consequently are designated as a currency manipulator.

US added Vietnam on a list for Currency manipulation	Accumulated in 12M (06/2020)
A trade surplus with the US of a least USD 20 bn	USD 58 bn
A current-account surplus of a minimum of 2% GDP	USD 15 bn (~ 4.6% GDP)
One-sided intervention in Foreign Exchange markets: Net FX Purchases >2% GDP; Persistence of Net FX Purchases 6/12 months	Net bought USD 16.8 bn (~ 5.1% GDP)

Source: VCBS compiled

After having official information about the US putting Vietnam on the list of currency manipulation, the State Bank immediately announced the press release. In detail, the main purpose of **net buying foreign currency** is to ensure smooth operation in the context of abundant foreign currencies, which is contributing to macroeconomic stability, and strengthening the foreign exchange reserve.

According to our [Thematic report](#): U.S. Treasury Department Designates Vietnam a Currency Manipulator, VCBS expects that the US will not implement large-scale tariff sanctions against Vietnam. In negative case, VCBS notes that 13 items are at high risk of investigation (according to update from Ministry of Industry and Trade to Quarter 2.2020)

In the future, this news will significantly affect the level of flexibility in the combination of the SBV's management tools related to foreign exchange reserves and exchange rate management. Specifically, the SBV shall limit buying a large amount of USD and it is

necessary to consider lowering the buying price of USD at some point. Accordingly, VCBS forecasts that there will be times in 2021 when VND appreciate against the USD. The exchange rate should fluctuate in a band $\pm 0.5\%$. In our opinion, the fact that the VND is under strong pressure will not affect too much on exports as (1) exports are mainly contributed by FDI and (2) currencies of many other countries in the world also under upward pressure.

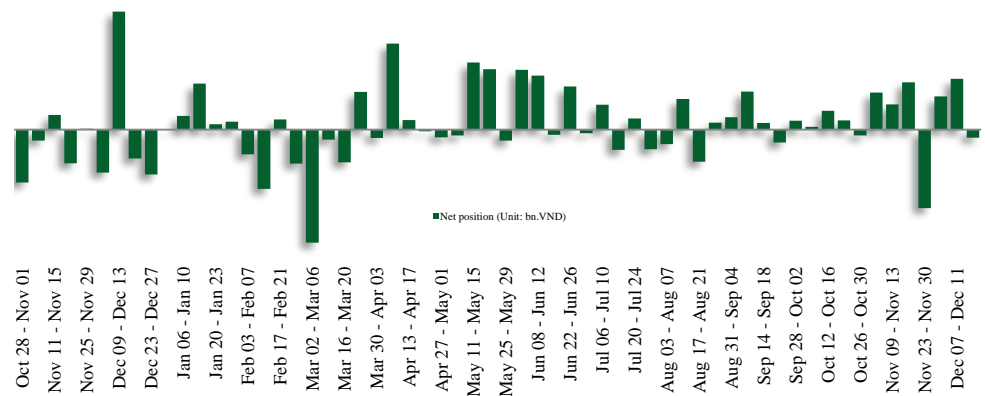
Along with that, from an interest rate perspective, the State Bank may give priority to using interest rate management tools to ensure the macroeconomic stability. In other words, this will reinforce the expectation that the interest rate will fall further in the near future, partly reducing the strong pressure on the VND.

In the context of abundant liquidity and increasing price of assets, especially risk-free asset, we remain the view that downward force will dominate on the bond market in the long run.. Thus, yield curve may shift downward frictionally in the upcoming week.

Foreign investors net sold VND 127.49 bn this week.

Foreign investors net sold VND 127.49 bn this week mainly on 10Y.

Foreign Investment in the secondary market 2020



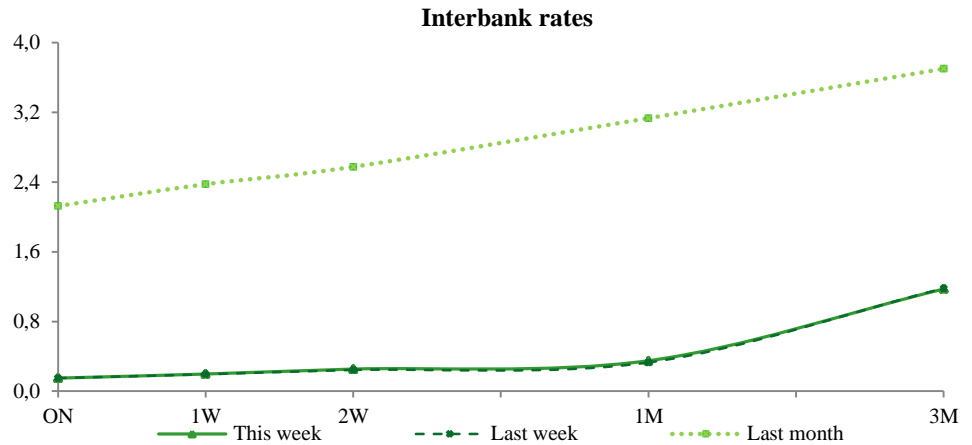
Source: HNX, VCBS

INTEREST RATE

Interbank rates stayed at low levels.

Interbank Rates

Interbank rates stayed at low levels. In details, ON – 3M rates posted at 0.15%, 0.197%, 0.254%, 0.35% and 1.173%, respectively according to Bloomberg data.



Source: Bloomberg, VCBS

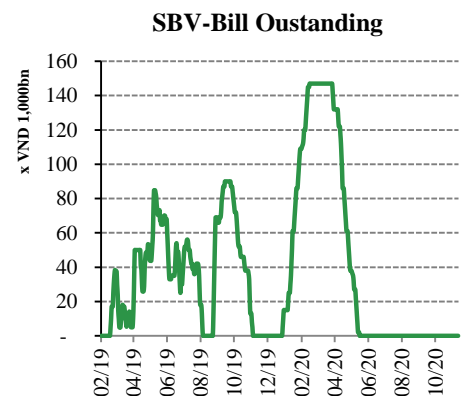
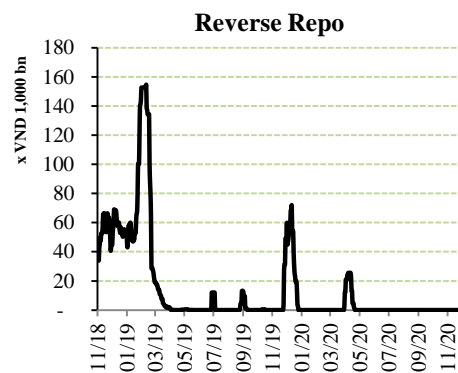
From December 14 to December 18, the central rate observed minimal change by the State Bank through the sessions of the week. Closing the session on December 18, the central rate was listed at 23,138 VND/USD, down by 08 VND compared to the previous week's session. Meanwhile, exchange rates at commercial banks did not change in the last week.

Abundant liquidity is still in the market. At the present, we do not observe any events triggering upward pressure on interbank rates. Thus, interbank rates should stay at current levels.

Open Market Operation

No intervention needed as abundant liquidity recorded.

Last week saw no new transaction via the OMO channel. The outstanding amount of repo and T-bill stood at VND 0 bn. SBV has not made any significant changes in the open market for the last 6 months as the banking system liquidity remains abundant while interbank interest rates stably stood at low levels.



Source: Bloomberg, VCBS

END.

APPENDICES

Bond Auctions

Auction date	Tenor	Offering volume	Registering volume	Winning volume	Register to Offering Ratio	Winning rate (%)	Winning/Offering	Issuer
ST bills								
Government and government-backed bonds								
16-Dec-20	30Y	1,500	2,582	1,500	1.72	3.15	100.00%	ST
16-Dec-20	20Y	1,500	4,250	1,500	2.83	2.93	100.00%	ST
16-Dec-20	10Y	3,000	15,500	3,000	5.17	2.32	100.00%	ST
16-Dec-20	15Y	6,000	15,240	6,000	2.54	2.54	100.00%	ST

Secondary Market

Issuer	Last		Current	
	Value	Value share	Value	Value share
Outright				
ST	44,587	89.23%	45,053	89.85%
VDB	2,884	5.77%	1,507	3.01%
VBSP	2,497	5.00%	1,960	3.91%
Others	-	0.00%	1,620	3.23%
<i>Subtotal (1)</i>	49,969	100.00%	50,140	100.00%
Repo				
Repo	31,144	56.25%	27,336	64.95%
Reserve Repo	24,228	43.75%	14,753	35.05%
<i>Subtotal (2)</i>	55,372	100.00%	42,090	100.00%
ST bills				
Outright				
Repo				
<i>Subtotal (3)</i>				
Total (1)+(2)+(3)	105,341		92,230	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
09/14 - 09/18	-	-	-	-	-	-	-	-
09/21 - 09/25	-	-	-	-	-	-	-	-
09/28 - 10/02	-	-	-	-	-	-	-	-
10/05 - 10/09	-	-	-	-	-	-	-	-
10/12 - 10/16	-	-	-	-	-	-	-	-
10/19 - 10/23	-	-	-	-	-	-	-	-
10/26 - 10/30	-	-	-	-	-	-	-	-
11/02 - 11/06	-	-	-	-	-	-	-	-
11/09 - 11/13	-	-	-	-	-	-	-	-
11/16 - 11/21	-	-	-	-	-	-	-	-
11/23 - 11/27	-	-	-	-	-	-	-	-
11/30 - 12/04	-	-	-	-	-	-	-	-
12/07 - 12/11	-	-	-	-	-	-	-	-
12/14 - 12/18	-	-	-	-	-	-	-	-

DISCLAIMER

This report is designed to provide updated information on the fixed-income, including bonds, interest rates, some other related. The VCBS analysts exert their best efforts to obtain the most accurate and timely information available from various sources, including information pertaining to market prices, yields and rates. All information stated in the report has been collected and assessed as carefully as possible.

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